

A Tour of the New Redesigned 2008 Form 990

Part II: Accomplishments, Compliance and Compensation

Part Two of a Four Part Mini Course Produced by IRS Exempt Organizations

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S1: Welcome to Part Two of our four-part mini course on Form 990 for tax year 2008. In Part One we covered the form's heading as well as the major financial parts of the form, which are:

- The Statement of Revenue,
- The Statement of Functional Expenses, and
- The Balance Sheet.

Stops on the Tour of the New Redesigned 2008 Form 990

- In Part II we will cover:
- Part III, *Statement of Program Service Accomplishments*
- Part V, *Statements Regarding Other IRS Filings and Tax Compliance*
- Part VII, *Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees and Independent Contractors*
- Part XI, *Financial Statements and Reporting*

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S1: In Part Two of the course, we'll look at four more parts of the core form, covering them in the order that we recommend you complete them. This order is:

- Part Three—The Statement of Program Service Accomplishments;
- Part Five—Statements Regarding Other IRS Filings and Tax Compliance;
- Part Seven—Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors; and
- Part Eleven—Financial Statements and Reporting.

-Go to: www.irs.gov/charities/article/0,,id=185561,00.html
to download the **2008** Form 990 and instructions.
-The **2009** form and instructions are available at
<http://www.irs.gov/charities/article/0,,id=218927,00.html>

Calendar of Events Exempt Organizations FAQs More Topics...		Form 990 Form 990 Core Schedule A Schedule B Schedule C Schedule D		Year General Instructions for Form 990 Glossary to Instructions for Form 990 Appendix of Special Instructions to Form 990 Completing the Heading of Form 990 Part I, Summary Part II, Signature Block Part III, Statement of Program Service Accomplishments Part IV, Checklist of Required Schedules Part V, Statements Regarding Other IRS Filings and Tax Compliance Part VI, Governance, Management, and Disclosure Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors Schedule J-2, Continuation Sheet for Form 990, Part VII, Section A, Line 1a (Compensation Information) Parts VIII-XI (Statement of Revenue, Statement of Functional Expenses, Balance Sheet, Financial Statements and Reporting) Supplementary Information for Organizations Exempt Under Section 501(c)(3) Schedule of Contributors Political Campaign and Lobbying Activities Supplemental Financial Statements
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S2: You may want to have the 2008 Form 990 in front of you as we go along. You can download the various parts of the form and their instructions at the address shown on the slide.

Part 48 Statement of Program Service Accomplishments (See the instructions.)		Page 2	
1	Briefly describe the organization's mission:		
2	Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
3	If "Yes," describe these new services on Schedule O.		
4	Did the organization make any significant changes in how it conducts any program services? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
5	If "Yes," describe these changes on Schedule O.		
6	Describe the exempt purpose achievement(s) for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(29) organizations and 504(b)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.		
4a	(Code:) (Expense \$ including grants of \$) (Revenue \$)		
4b	(Code:) (Expense \$ including grants of \$) (Revenue \$)		
4c	(Code:) (Expense \$ including grants of \$) (Revenue \$)		
4d	Other program service. (Describe in Schedule O.) (Expense \$) (Revenue \$)		
4e	Total program service expenses \$ Must equal Part III, line 25, column (B)		

This is where you tell the reader the story of your tax-exempt organization—its mission, its programs and services, and its accomplishments.

The Statement of Program Service Accomplishments was moved up to page 2 of the 2008 form to give you the chance to show the *personality* of your organization and give readers a chance to form a mental picture of it *before* they encounter the *impersonal* financial information that comes after.

Line 1:
Mission

- If the governing body has adopted a mission statement for the organization, state that mission on line 1
- If none, answer “None”

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S2: The first layer of the picture is recorded on line 1 where you are asked to describe the organization’s mission. If the governing body has not adopted a mission statement, write “None” on line 1.

Program Service

Program service = an activity that furthers the organization's mission

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S1: Lines 2 through 4 ask about your organization's program services. A program service is an activity that furthers your organization's exempt purpose.

For example, a college degree program is a program service of a tax-exempt university because it furthers educational purposes. And a rehabilitation clinic is a program service of a tax-exempt hospital because it furthers the charitable purpose of promoting health.

Lines 2-3: New, Discontinued, or Modified Programs Services

- 2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☐ No
If "Yes," describe these new services on Schedule O.
- 3 Did the organization cease conducting or make significant changes in how it conducts any program services? ☐ Yes ☐ No

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S2: Lines 2 and 3 give you a chance to describe any significant changes to your program services.

Line 2 asks if your organization undertook any significant program services in 2008 that hadn't previously been reported to the IRS—either in your exemption application or a prior year's Form 990.

Line 3 asks if you made any significant changes to, or discontinued, an existing program service in 2008.

If you answer "Yes" to either line 2 or 3, you should explain your answer on Schedule O. Schedule O is where you go to elaborate on any answer.

Lines 4a, 4b, 4c:
Exempt Purpose Achievements

- Describe the 2008 achievements of your *three largest* program services
 - Largest in terms of expenses incurred in 2008
- Use Schedule O to describe additional program service achievements

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S2: On lines 4a, b, and c, you are to describe the year's achievements of your three largest program services. That is largest in terms of expenses incurred during the year.

If you have additional program service achievements that you'd like to mention, you can describe them on Schedule O.

4c (Code:)	(Expenses \$	including grants of \$	(Revenue \$)
.....			
.....			

- “Code”
 - Leave blank (ignore) in 2008
- “Expenses \$” and “including grants of \$”
 - Only organizations exempt under section 501(c)(3) or (c)(4) need answer
- “Revenue \$”
 - E.g., fees for services, income from sale of goods
 - But *not* contributions or grants

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S1: At the top of lines 4a, b, and c you will find three sets of parentheses, and two sets on line 4d. For your 2008 return, you can skip the prompt for a code in the first set of parentheses.

The next set of parentheses prompts you to enter the total expenses attributed to the program service as well as the total amount of any grants included in those expenses. However, you need provide this information only if your organization is exempt under section 501(c)(3) or (c)(4). Other organizations are welcome to report their program service expenses, but are not required to.

The final set of parentheses prompts you to report the amount of revenue you received from program service activities, such as fees from services or income from the sale of goods. Every Form 990 filer must report this amount. But don't include program service revenue amounts that you report as contributions or grants on line 1 of Part Eight.

If you mentioned any additional program services on Schedule O, you should total the expenses and revenue of all those services and enter the combined amounts on line 4d.

Describing Achievements

- Use specific measures, such as:
 - Clients served
 - Days of care provided
 - Events held
- Reasonable estimates are allowed, but label as “estimate”
- Mention of donated services, materials, equipment or facilities is allowed
 - But do not include their value in expenses or revenue

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S2: We encourage you to be detailed when describing your organization’s program service achievements. You can champion your organization—and generate considerable goodwill—by being candid about its operations and activities.

If you can, use specific measures to describe accomplishments. For instance, the number of clients served, the number of events held, or the number of days of care provided. Give reasonable estimates if exact figures aren’t readily available, but indicate that those figures are estimates.

If an accomplishment does not lend itself to statistical measurement, describe the activity’s objective and long-term goals. In the narrative you can mention any *donated* services, materials, equipment, or facilities that you received or used in conducting an activity. But don’t include the value of those donations in the amounts of expenses or revenues you report for that program service.

That completes our tour of Part Three. Let’s skip over Part Four for now, and turn to Part Five, *Statements Regarding Other IRS Filings and Tax Compliance*. We’ll cover Part Four in the third part of our course.

Part V

Statements Regarding Other IRS Filings and Tax Compliance

- See Glossary in the Form 990 Instructions for definitions of unfamiliar terms
- Questions in this part serve two purposes
 - Other reporting/filing requirements
 - Activities that may give rise to excise taxes

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S1: Many of the terms used in Part Five are technical. If you don't understand a term you run across in a question, you should consult the glossary in the Form 990 instructions.

The questions in Part Five serve two purposes. First, they serve to alert you that your organization may have other reporting obligations and other forms to file besides Form 990. Second, they help you determine if your organization engaged in activities that may give rise to excise taxes.

Lines 1b, 2b, and 3b

1a	Enter the number reported in Box 3 of Form 1096, <i>Annual Summary and Transmittal of U.S. Information Returns</i> . Enter -0- if not applicable	1a			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c			
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return	2a			
b	If at least one is reported in 2a, did the organization file all required federal employment tax returns? Note: If the sum of lines 1a and 2a is greater than 250, you may be required to e-file this return.	2b			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	3a			
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b			

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S1: Let's look at a few of the prompts that are designed to remind you of other forms you may need to file:

Line 1b reminds you to report the payment of gambling winnings on Form W-2G, Line 2b and its instructions remind you to report your liability for unemployment taxes on Form 940 and for FICA taxes and withheld income tax on Form 941, and Line 3b reminds you to report and pay any unrelated business income taxes with Form 990-T.

Line 7

7 Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization provide goods or services in exchange for any contribution of \$75 or more?	7a	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it filed Form 8282?	7c	
d	If "Yes," indicate the number of Forms 8282 filed during the year 7d		
e	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	
g	For all contributions of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required?	7h	

S1: If your organization is qualified to receive tax-deductible contributions, line 7 reminds you of your responsibility to report:

Dispositions of charitable deduction property on Form 8282,

Premiums paid on a personal benefit contract on Form 8870,

Income from qualified intellectual property on Form 8899, and

Receipt of certain contributions of cars, boats, or airplanes on Form 1098-C.

Purpose 2:

To determine if the organization engaged in
activities that are required to be reported
and
that might give rise to excise taxes

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S2: The second purpose of Part Five is to determine if the organization engaged in certain kinds of activities that you are required to report and that might give rise to excise taxes.

Line 5: Prohibited Tax Shelter Transactions

- Was the organization a party to a prohibited tax shelter transaction?
 - For explanation, see *Instructions to Form 8886-T*
- If so, did you disclose the transaction by filing Form 8886-T, *Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction*?

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S2: For instance, line 5 asks whether the organization was party to a prohibited tax shelter transaction. If so, you are required to file Form 8886-T to disclose your participation and identify any other party that you know was involved in the transaction.

You might also have to file Form 4720 and pay an excise tax. You can find an explanation of prohibited tax shelter transactions in the *Instructions to Form 8886-T*.

Sponsoring Organization

An organization entitled to receive charitable contributions (excluding private foundations) that maintains a donor advised fund

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S2: If you are a sponsoring organization, you must answer lines 8 and 9. Generally, a *sponsoring organization* is any charitable organization, other than a private foundation, that maintains a donor advised fund.

Donor Advised Fund

A fund or account:

- Owned and controlled by a sponsoring organization
- Separately identified by reference to contributions of a donor
- For which the donor has advisory privileges concerning distributions or investment of the funds in the account

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S2: A *donor advised fund* is a separately identified account holding a donor's contributions. In addition, the donor has or expects to have advisory privileges regarding the distribution or investment of the funds held in the account.

Line 8: Disclosure of Excess Business Holdings

- Applies only to:
 - Sponsoring organizations that maintain donor advised funds
 - Certain types of supporting organizations
- See *Instructions for Form 4720, Schedule C*, for explanation of *excess business holdings*, liability for excise tax, and reporting requirements

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S1: Line 8 inquires about excess business holdings. Donor advised funds and certain types of supporting organizations may be subject to an excise tax on their excess business holdings in the same way that private foundations are.

For example, an applicable organization may have excess business holdings if it owns more than 20 percent of the voting stock of an incorporated business enterprise.

The rules about excess business holdings are complex, so you should look at the *Instructions for Form 4720, Schedule C*, for help in understanding them.

Line 9a:
Taxable Distributions from a Donor Advised Fund

- ***Taxable Distribution***—a distribution from a donor-advised fund to:
 - An individual
 - An entity, *unless*
 - The distribution is for a charitable purpose
 - The organization exercises expenditure responsibility
- **See *Instructions for Form 4720, Schedule K*, to learn about reporting requirements and the tax on the sponsoring organization and fund manager**

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S1: Line 9a asks whether you made any distributions from a donor advised fund that were subject to excise tax under section 4966. Any distribution from a donor advised fund to an individual—whether in the form of a grant, reimbursement, or payment of compensation for services—is a taxable distribution. So, too, is a distribution to an entity unless the distribution is for charitable purposes and the sponsoring organization exercises expenditure responsibility for the donation.

Sponsoring organizations and fund managers liable for the tax must file Form 4720.

You should look at the *Instructions for Form 4720, Schedule K*, for an explanation of taxable distributions.

Line 9b:

Distributions from a Donor Advised Fund

If you answer yes to 9b, the advisor, the beneficiary, and the fund manager who agreed to make the distribution may be liable for tax

See *Instructions for Form 4720, Schedule L*, to learn about reporting requirements and the tax imposed on such persons

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S2: Line 9b asks whether you made any distribution from a donor advised fund to the fund's donor, donor advisor, or related person. If the answer is "Yes," and the distribution was made on the advice of a donor or donor advisor, a family member or a controlled entity, that advisor, the beneficiary, and any fund manager who knowingly agreed to make the distribution may be liable for tax and have to file Form 4720. You can learn more about the tax by reading the *Instructions for Form 4720, Schedule L*.

That concludes our tour of Part Five. Let's skip Part Six for now and turn directly to Part Seven on page 7 where you'll report the *Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors*. We'll cover Part Six in the third part of our course.

Part VII

Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Form 990 (2008) Page **7**

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Section A Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Use Schedule J-2 if additional space is needed.

* List all of the organization's current officers, directors, trustees (whether individuals or organizations) and key employees regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.

* List the organization's five current highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.

* List all of the organization's former officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.

* List all of the organization's former directors or trustees that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if the organization did not compensate any officer, director, trustee, or key employee.

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)					(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee			

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S1: Part Seven is divided into two sections. In Section A you'll list your organization's current and former officers, directors, trustees, key employees, and highest compensated employees. You'll also report the compensation they received from you and from related organizations.

In Section B you'll report on your highest compensated independent contractors.

Reporting Compensation

Report compensation based on *calendar year 2008* figures, even if the organization uses a fiscal year for its accounting period

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S1: When reporting someone's compensation for your 2008 tax year, the figure you report must be the amount of compensation that person received in *calendar year 2008*. This applies even if your organization's accounting period is based on a fiscal year that begins in 2008 but does not coincide with the calendar year.

Current Officers, Directors, and Trustees

- ***Current*** = Anyone who served as officer, director, or trustee during the organization's *tax year* (whether calendar or fiscal year)
- ***Director/Trustee*** = A voting member of the organization's governing body
- ***Officer*** = A person elected or appointed to manage daily operations
 - Includes the top management official and top financial official

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S1: In Section A, start by listing every *current* officer, director, and trustee of your organization, even those who received no compensation. By *current* we mean anyone who served as an officer, director, or trustee at any time during your organization's *tax year*, whether the year is based on a calendar or fiscal year.

For example, if your organization's tax year began on July 1, 2008, and ended June 30, 2009, you must list everyone who served as an officer, director, or trustee during that time period.

Only voting members of the organization's governing body should be listed as directors and trustees. Report the organization's top management official and top financial official as officers regardless of their actual job title. An officer is a person elected or appointed to manage daily operations.

Key Employee

A *key employee* is someone who:

- Is not listed as an officer, director, or trustee
- Was employed at any time during *calendar year 2008*
- Received reportable compensation > \$150,000
 - *Reportable compensation* = amount from Form W-2, box 5
- Was among the 20 most highly compensated employees
- Meets the responsibility test

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S2: After you've listed current officers, directors, and trustees, you then list every *current key employee*. List as a key employee anyone *other than an officer, director, or trustee*, who:

Was employed by the organization at any time during *calendar year 2008*,

Received reportable compensation of more than \$150,000 in *calendar year 2008* from your organization and related organizations (including parent, subsidiary, and sister organizations),

Was among the 20 most highly compensated employees of the organization, and
Meets the *responsibility test*.

Responsibility Test

To meet the responsibility test, an employee must either:

- Have responsibilities, powers, or influence similar to those of an officer, director, or trustee
- Manage a program or activity that represents 10 percent or more of the organization's activities, assets, income, or expenses; or
- Control 10 percent or more of the organization's capital expenditures, operating budget, or compensation

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S2: Someone meets the responsibility test if he or she:

Has responsibility, powers, or influence over the organization similar to those of an officer, director, or trustee;

Manages a segment or activity of the organization that represents 10 percent or more of the total activities, assets, income, or expenses of the organization; or

Has authority to control 10 percent or more of the organization's capital expenditures, operating budget, or compensation for employees.

For example, the dean of a university's law school would meet the responsibility test if the law school generates more than 10 percent of the university's revenue.

Five Highest Compensated Employees

- Highest compensated in *calendar* year 2008 *excluding* officers, directors, trustees, or key employees; and
- Reportable compensation > \$100,000
 - *Reportable compensation* = amount from Form W-2, box 5

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S1: After listing your key employees, you're ready to list the five highest compensated employees of calendar year 2008 *excluding* anyone who has already been identified as an officer, director, trustee, or key employee. However, only list those that received more than \$100,000 of reportable compensation from your organization and any related organization in calendar year 2008.

This list might include someone who would have been listed as a key employee because she satisfied the \$150,000 and responsibility tests, except that there were at least 20 employees with higher reportable compensation who likewise satisfied those tests.

After you list your current five highest compensated employees, you'll list *former* directors, trustees, officers, and key employees.

Former Officer, Director, Trustee or Key Employee

May include a current employee who is *not* listed as a *current* officer, director, trustee, key employee, or highest compensated employee

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S1: Do not designate as former anyone you have already listed as current, regardless of whether their former position was different from their current position.

However, you can list a current employee of the organization as a former officer, director, trustee, or key employee, so long as that employee is not a current officer, director, trustee, key employee or highest compensated employee. We'll look at an example in a minute.

Former Directors and Trustees

List someone as a former director or trustee *only if* that person:

- Was reported as a current director or trustee on a Form 990 in one or more of the previous five years
and
- Received > \$10,000 of reportable compensation in calendar year 2008 in his capacity as a former director or trustee
 - *Reportable compensation* of a former director or trustee = amount from Form 1099-MISC, box 7

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S2: First, list any former director or trustee who received, in his or her capacity as a former director or trustee, more than \$10,000 of reportable compensation from the organization and any related organization in calendar year 2008.

The *reportable compensation* of a former director or trustee is the amount required to be reported in box 7 of Form 1099-MISC.

Someone is considered a *former* director or trustee if he or she was reported (or should have been reported) as a director or trustee on the organization's Form 990 for any of the previous five years.

Here's our example:

Mr. Z is listed as a current key employee. Two years ago, Mr. Z was a director of the organization. In calendar year 2008, he received compensation of more than \$10,000 for his duties as former director. Since Mr. Z is already listed as a current key employee, he should not be listed again or designated as a former director. However the compensation reported for Mr. Z, will include the compensation he received for his duties as former director.

Say, however, that Mr. Z, though a current employee, is not listed as a current officer, key employee, or highest compensated employee. In that case, Mr. Z should be listed as a former director.

Former Officers and Key Employees

List someone as a former officer or key employee *only if* that person:

- Was reported as a current officer or key employee on a Form 990 in one or more of the previous five years
and
- Received > \$100,000 of reportable compensation in calendar year 2008 for services as a former officer or key employee

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S1: After you list any former directors or trustees, you should next list any *former* officer or *former* key employee who received more than \$100,000 of reportable compensation from the organization and any related organization in calendar year 2008.

Someone is considered a *former* officer or key employee if he or she was reported (or should have been reported) as an officer or key employee on the organization's Form 990 for any of the previous five years.

Former Highest Compensated Employees

- In 2008, only 501(c)(3) organizations need list *former* highest compensated employees
- List only a person who:
 - Was not an employee in calendar year 2008
 - Received > \$100,000 of reportable compensation in calendar year 2008
 - Would have been listed as a current highest compensated employee had he or she been employed in 2008

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S1: In addition to listing their former directors, trustees, officers, and key employees, organizations that are exempt under *section 501(c)(3)* should also list *former highest compensated employees*. This includes anyone who was not an employee at any time during calendar year 2008, but who received more than \$100,000 of reportable compensation from the organization and any related organization in calendar year 2008. In addition, the amount of that compensation would have placed that person among the organization's current five highest compensated employees had he or she been an employee in 2008.

Reportable Compensation of an Officer or Other Employee Form W-2, Box 5

2222		a Employee's social security number		OMB No. 1545-0008	
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld	
		5 Medicare wages and tips		6 Medicare tax withheld	
		7 Social security tips		8 Allocated tips	
d Control number		9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial Last name Suffix		11 Nonqualified plans		12a	
		13a Section 501(c)(29) plan		12b	
		13b Section 501(c)(29) plan		12c	
		13c Section 501(c)(29) plan		12d	
f Employee's address and ZIP code		14 Other			
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax	
18 Local wages, tips, etc.		19 Local income tax		20 Locality name	

Form **W-2** Wage and Tax Statement
Copy 1—For State, City, or Local Tax Department

2008

Department of the Treasury—Internal Revenue Service

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S2: For each person listed in Section A, you must enter their reportable compensation for calendar year 2008. Again, the *reportable compensation* of an officer or other employee is generally the amount reported in box 5 of the individual's Form W-2.

Reportable Compensation of a Director or Trustee

Form 1099-MISC, Box 7

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0015		Miscellaneous Income	
PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	2008 Form 1099-MISC		
		2 Royalties			
		3 Other income			
PAYER'S federal identification number		4 Federal income tax withheld	Copy 1 For State Tax Department		
RECIPIENT'S identification number		5 Fishing boat proceeds			
RECIPIENT'S name		6 Medical and health care payments			
Street address (including apt. no.)		7 Nonemployee compensation			
City, state, and ZIP code		8 Substitute payments in lieu of dividends or interest			
Account number (see instructions)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>			
15a Section 408A deferrals		10 Crop insurance proceeds			
15b Section 408A income		11			
		12			
		13 Excess golden parachute payments			
		14 Gross proceeds paid to an attorney			
		15 State tax withheld			
		16 State/Payer's state no.			
		17 State income			
		18 State income			
		19			

Form 1099-MISC Department of the Treasury - Internal Revenue Service

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S2: The *reportable compensation* of a director or a trustee is generally the amount reported in box 7 of the individual's Form 1099-MISC.

Compensation: Columns (D)-(F)

	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations

S2: In Column (D) of Section A, you enter the reportable compensation the person received directly from your organization. In Column (E) you enter the reportable compensation received from organizations that are related to your organization.

Related Organizations

- Parent
- Subsidiary
- Sister
- Supporting (IRC 509(a)(3))
- Supported (IRC 509(f)(3))

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S2: *Related organizations* include parent, subsidiary, and sister organizations, as well as organizations with which you have a relationship as either a supporting organization under section 509(a)(3) or a supported organization under section 509(f)(3).

Related Organizations: \$10,000/Year Exception

Do not report compensation from a related organization that is less than \$10,000 for the calendar year

Example:

One of your officers, receives compensation of \$6,000, \$15,000, and \$50,000 from three related organizations. In reporting that officer's compensation from related organizations, ignore the \$6,000 payment because it is less than \$10,000. Report only \$65,000 (\$50,000 +\$15,000) in column (E).

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S2: When determining the amount of compensation a person receives from a related organization, you may ignore any compensation from a single related organization that is less than \$10,000 for the calendar year. One exception is for payments to a former director or trustee of the filing organization for services performed as director or trustee.

S1: *For example,* if an officer receives compensation of \$6,000, \$15,000, and \$50,000 from three separate related organizations, you may ignore the \$6,000 payment and report the remaining \$65,000 as reportable compensation from related organizations in Column (E).

Column (F): Other Compensation

- Includes compensation not currently reportable on Form W-2 or Form 1099-MISC
- Report retirement plan benefits and health benefits regardless of amount
- Report any other item of compensation only if its value is \$10,000 or more in calendar year 2008

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S1: In Column (F) you must report actual, or a reasonable estimate of, *other* compensation the individual received from your organization and related organizations in calendar year 2008.

Other compensation includes deferred compensation not reported on Form W-2 or Form 1099-MISC and nontaxable benefits such as health benefits and retirement plan benefits from the filing organization and related organizations.

Retirement plan benefits and health benefits should be reported in full regardless of their amount. Any other type of *other* compensation (such as a housing allowance, use of a company car, or personal services) should be reported only if the value of that type of compensation amounts to \$10,000 or more.

Schedule J: Detailed Compensation Reporting for Certain Persons

- Provide detailed compensation information on Schedule J for anyone:
 - Identified as a *former* officer, director, trustee, key employee, or highest compensated employee or
 - Whose total compensation (columns (D)+(E)+(F)) was more than \$150,000 or
 - Who received or accrued compensation from a unrelated organization for services rendered to the filing organization

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S2: Once you've listed your current and former officers, directors, trustees, key employees, and highest compensated employees and their compensation, you can move on to lines 3-5. Here you'll be directed to Schedule J to provide more information about the compensation of anyone you've listed who:

- Is identified as a *former* officer, director, trustee, key employee, or highest compensated employee;
- Received total compensation—both reportable compensation and other compensation—of more than \$150,000 from your organization and related organizations; or
- Received compensation from an unrelated organization for services rendered to your organization.

Section B: Independent Contractors

- List the five highest compensated independent contractors that received > \$100,000 for services in calendar year 2008
- Independent contractors include both individuals and entities, such as:
 - Professional fundraisers
 - Accountants
 - Management companies

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S2: Section B of Part Seven asks you to list the five highest compensated independent contractors that received more than \$100,000 in compensation from your organization for services provided to your organization. Independent contractors can be corporations and other business entities as well as individuals.

They can include:

- Management companies,
- Professional fundraisers,
- Accountants and accounting firms,
- Management companies, and
- Investment management companies.

If you're uncertain whether someone performing services for your organization is an independent contractor or an employee, consult IRS Publication 1779 or Publication 15-A. For each independent contractor you list, describe the services rendered and the amount of compensation paid for those services.

S1: Now let's take a look at Part Eleven, *Financial Statements and Reporting*, on page 11.

Part XI

Financial Statements and Reporting

Part XI Financial Statements and Reporting		Yes	No
1 Accounting method used to prepare the Form 990: <input type="checkbox"/> cash <input type="checkbox"/> accrual <input type="checkbox"/> other			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . . .		
2b	Were the organization's financial statements audited by an independent accountant?		
2c	If "Yes" to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		
3b	If "Yes," did the organization undergo the required audit or audits?		

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S1: In comparison to Part Seven, Part Eleven is short and uncomplicated. Line 1 simply asks you to indicate the accounting method used to prepare the return: cash, accrual, or other. The instructions ask you to describe a change in accounting method or a method other than cash or accrual on Schedule O.

Lines 2a & b ask whether the organization's financial statements for 2008 were compiled, reviewed, or audited by an independent accountant. An accountant is considered *independent* if he or she meets the standards of independence put forth by:

- The American Institute of Certified Public Accountants (AICPA),
- The Public Company Accounting Oversight Board (PCAOB), or
- Any other similar body that oversees or sets standards for the accounting profession.

Answer "No" if the financial statements were compiled, reviewed, or audited only as part of a consolidated financial statement. If that is the case, feel free to explain the situation in Schedule O. If the answer to 2a or 2b is "Yes," line 2c asks whether the organization has an audit committee responsible for overseeing the compilation, review, or audit of the organization's financial statements and for the selection of the independent accountant.

S2: Under the Single Audit Act of 1984 and OMB Circular A-133, if your organization received a federal contract award it may be required to undergo one or more audits. Line 3 asks whether your organization was required to undergo such an audit and, if yes, whether it had done so.

This completes A Tour of the New Redesigned Form 990 – Part II

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S2: And with that, we come to the end of the second part of our tour of the new redesigned Form 990. In the third part of the course we'll look at:

- Governance,
- The Part One Summary,
- The checklist of required schedules, and
- Schedule A

To continue with the course, return to Stay Exempt and the EO web-based mini-courses] and select the link to Part Three of A Tour of the New Redesigned 2008 Form 990.